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## NEBRASKA ACCOUNTING CODE MANUAL FOR COUNTIES

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The financial management processes of county governments vary; but in each county, resources are used generally to provide for the health, safety, and general welfare of the citizens. County governments in Nebraska collectively spend millions of dollars each year for these various functional activities. Officials of the State and National government are also interested in information on the use of grants and shared revenues as well as county resources. In addition, the citizen-taxpayer expects the county officials to be accountable in the use of these county resources; for financial integrity and full disclosure of accounts; for compliance with applicable laws and regulations in the use of county resources; and for efficient and economical use of county resources.

A certain commonality exists in the budgeting and accounting issue and problems that confront county officials. For this reason the legislature determined it necessary to develop a uniform approach to accounting and budgeting for the counties. This Manual has been developed by the State Auditor of Public Accounts in answer to that requirement.

The goal involved in the preparation of this Manual is to inform, instruct, and to set guidelines for the use of the uniform system of accounting for Nebraska counties. The material contained in this Manual is organized so that the material can be supplemented as time and usage direct. The State Auditor of Public Accounts welcomes any comments or suggestions that the user of this Manual would care to submit about the material contained herein.

### **CHART OF ACCOUNTS: AN EXPLANATION**

The Chart of Accounts involves the arrangement of the accounts by classification according to types of accounts and a coding system which identifies financial transactions. The Chart of Accounts becomes a framework for the systematic reporting and accounting for county government transactions. The classification and coding structure becomes an effective system only if used throughout the budgeting, accounting, and reporting cycles.

The basic code structure is a 14 digit numeric series using 18 positions and written as 0000 000 00 0 0000. The code structure identifies individual county funds, the various types of recording accounts, and the detail of expenditures. The first four digits are used to identify the individual funds. All financial transactions as well as the accounts to which they will be posted must be separated into the proper fund. Each individual fund has a separate code number which also identifies the fund by class or type of fund. The next five digits of the code structure is the basic account code and identifies the account as an asset, a liability, a revenue source, or the function/activity classification of an expenditure. Assets, liabilities, and revenue sources are completely identified by the first nine digits of the code structure. The identification of an expenditure item requires additional classification using the entire 14 digit code. The final five digits of the code structure are used to identify the specific service or commodity for which funds were spent. When the accounting system uses the recommended code structure, budget forms, and expenditure reports, the county will be able to identify total expenditures by object of expenditure as well as by county office or activity.

#### **MAJOR COMPONENTS OF THE CODE STRUCTURE**

	<u>0000</u>	<u>000 00</u>	<u>0</u>	<u>0000</u>
Code for Individual Funds -----				
Basic Account Identification Code -----	-----			
Object of Expenditure Code -----	-----	-----		
Sub-Object of Expenditure Code -----	-----	-----	-----	

The account classification and code structure given in the manual is a master classification list. Most of the counties will not be using all of the accounts found in the Chart of Accounts. The county budget forms are

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imprinted with a representative list of accounts which may not actually meet the specific county needs. The counties are advised to select from this Chart of Accounts those accounts which are required to meet the local situation.

### **CODE FOR INDIVIDUAL FUNDS**

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which record cash and other resources together with all related receipts, disbursements, liabilities, and unobligated balance. The accounts are segregated for the purpose of recording financial entries of a specific activity in accordance with special regulations, restrictions, or legal requirements. Every county should establish and maintain only those funds required by law and by sound financial administration.

The code structure for identification of funds is a four position numeric series. The four digit number is able to provide the flexibility needed to handle the many special funds used by counties. The classification of county funds uses the standard classes of funds as recommended in GAAFR for governmental accounting systems. The Fund code was arranged so that funds of the same general type are grouped within a specific set of numbers. The fund classification and code structure is given below:

<u>Code Structure</u>	<u>Classification of Funds</u>
	Governmental Funds
0100	County General Fund
0200-2999	County Special Revenue Funds
3000-3899	County Debt Service Funds
4000-4999	County Capital Projects Funds
	Proprietary Funds
5000-5599	County Enterprise Funds
5900- 5999	County Internal Service Funds
	Fiduciary Funds
6000-9799	Trust and Agency Funds
	Governmental Activities
9800	General Fixed Assets
9900	General Long Term Debt

Chapter "3" contains a numerical list of county fund codes. Where appropriate, the recommendation is to use a General Fund Function code in accounting for the activity. The programs and activity of the counties should be established in Funds according to this codification scheme. Should circumstances require the county to account for a function in a specific fund not listed in Chapter "3," the State Auditor's Office will designate an open fund number to be used for that purpose. Continued uniformity of the system requires that some central agency be responsible for issuing Fund Codes, so all questions about the fund classification and codes should be directed to the State Auditor's Office for clarification.

### **County General Fund**

The County General Fund accounts for all revenues and expenditures of the county which are not accounted for in other funds. It is usually the largest fund in terms of accounting activity, containing the financial records of most of the county government activities. The General Fund normally is used to record a variety of revenues, including property taxes, licenses and permits, rent, charges for current services, state-shared taxes, interest income, etc.

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The General Fund resources finance a wide range of activities, including most of the current operations of the county government. In addition, this fund may also have transactions with other funds operated by the county.

#### County Special Revenue Funds

The Special Revenue Funds are used to account for revenues derived from specifically earmarked taxes or other earmarked revenue sources. Special Revenue Funds are usually required by statute or by special action of the County Board to finance particular functions or activities of the county government and may have a definite, limited life, or may remain in effect until discontinued or revised by appropriate legislative action. The Funds may be used for a very limited purpose, such as the county share of visitor promotion, or it may finance an entire function of government, such as county roads. In any event, the uses and limitations of each Special Revenue Fund are specified by the legal authority creating it, and the resources of a given Special Revenue Fund generally cannot be diverted to other uses. The amount and nature of the revenue sources which finance a particular facility or function have a controlling influence on whether such sources should be accounted for as a Special Revenue Fund or as an Enterprise Fund, see the discussion on this point under the Enterprise Fund description. Examples of special revenue funds are those established for recording the operation of facilities such as libraries or for recording particular functions or activities such as road and bridge construction, grants and county visitor promotion.

#### County Debt Service Funds

Debt Service Funds are established to account for the payment of principal and interest of long-term general obligation debt other than the indebtedness which is accounted for in the Enterprise Funds. The repayment of bonds, issued for the purpose of an enterprise operation, may be accounted for in a Debt Service Fund, if servicing the bond issue is through general taxation or from general revenues of the county.

#### County Capital Project Funds

Capital Project Funds are created to account for all resources used for the acquisition of capital facilities by a county except those facilities acquired through the operation of an Enterprise Fund. Capital Projects are those capital outlays financed by county resources which involved the construction of major, permanent facilities having a relatively long life. Revenue sources for Capital Projects include proceeds from bond issues, earmarked taxes, current revenue contributions from various funds, and revenues from other governmental units. A Capital Project Fund is not required to record the acquisition of a fixed asset with comparatively limited life. These assets are generally financed by current revenues or short-term obligations of the General Fund or a Special Revenue Fund. As a general rule, the use of a Capital Project Fund is not required when the improvement is financed exclusively from the current revenues of a particular fund and when long-term borrowing is not used to finance the acquisition.

#### County Enterprise Funds

Enterprise Funds are established to account for self-supporting activities of county government which render services on a user charge basis to the general public. The typical enterprise fund operations in the counties are hospital services and sanitation landfill operations. Other activities of a commercial nature which may be required by local conditions include public housing, transportation systems, and recreational facilities. Enterprise activities are those operations which are financed primarily by charges to consumers. The accounting procedures are comparable to those employed in private enterprises. Some activities provided by county governments are partially supported by charges to users and partially by general tax revenues. In these instances, the nature of the principal revenue source or sources should determine whether the activity involved is to be accounted for as a Special Revenue Fund or an Enterprise Fund. Specifically, if a substantial amount of the revenue used to finance

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an activity is derived from user charges, the activity should properly be classified and accounted for in an Enterprise Fund. Conversely, if a comparatively small part of the support of an activity comes from earnings, the activity should be accounted for as a Special Revenue Fund. The existence of or the intention to issue bonds, the redemption of which will be payable from earnings, is another factor to be used in determining the fund classification. The existence of debt, payable from earnings of the operation, further emphasizes the self-supporting nature of the operation and indicates an Enterprise Fund operation. These criteria are offered to assist in classifying funds in a consistent pattern. The decision is important because the accounting requirements and practices for the two categories of funds are dissimilar and will produce different operating results for any given fiscal period.

#### County Internal Service Funds

Internal Service Funds are established for the financing and provision of services and commodities furnished by a designated agency of the county to other departments or offices of the same county. Services and commodities supplied exclusively from those public services which are accounted for in other funds. Typical examples of Internal Service Funds are those established for county garages, data processing services, central purchasing departments, and duplicating services.

#### Trust and Agency Funds

Trust and Agency Funds are set up for the purpose of accounting for tax collections and other revenue sources received from various sources and held by the county in the capacity of trustee, custodian or agent for other governmental entities. These funds contain only those accounts necessary to provide clearinghouse mechanisms for cash resources which are collected by the county, held for a brief period, and then disbursed to authorized recipients. Trust Funds and Agency Funds are alike in that the county has only a fiduciary responsibility to account for the receipt and disbursement of monies which are recorded in the fund.

#### General Fixed Assets

General Fixed Assets are the county owned fixed assets not accounted for in an Enterprise Fund or an Internal Service Fund. A clear distinction should be made between accounts representing fixed assets of proprietary funds (Enterprise, Internal Service, and certain Trust Funds) and those of the other governmental funds. Fixed assets of proprietary funds should be accounted for within the specific fund accounts. Those fixed assets which are not accounted for in the proprietary funds are known as General Fixed Assets. General Fixed Assets reflect purposes for which financial resources have been used and is principally a management tool and an accountability listing of fixed assets purchased with county resources or which have been donated to the county. General Fixed assets should be recorded at historical cost. A General Fixed Asset must possess three attributes: (1) tangible nature, (2) a life longer than the current fiscal year, and (3) a significant value. Adequate accounting procedures and records for fixed assets are essential to the protective custody of governmental property. The responsibilities of stewardship involved in such large public investments is of importance to sound financial administration, and this responsibility can be effectively discharged through adequate fixed asset accounting. Accounting for fixed assets is also a prerequisite to the preparation of satisfactory and complete financial reports. An annual financial report of a government unit will not meet the test of full disclosure if the report does not contain information on the fixed assets of the county.

#### General Long-Term Debt

General Long Term Debt is established to account for the liability of the county for unmatured general obligation long-term debt which is not a primary obligation of a proprietary fund. A clear distinction should be made between the records of long-term liabilities of proprietary funds (Enterprise, Internal Service and some Trust Funds) and

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those of the other government funds. Long-term liabilities of the proprietary funds are specific fund liabilities. General Long-Term Debt includes all non-current liabilities of pension plans, lease purchase agreements, judgments, and other similar commitments as well as the unmatured portions of general bonded indebtedness.

### **BASIC ACCOUNT IDENTIFICATION CODE**

The five digit code structure used for the identification of the type of account is written (000 00) three digits, a space, and two digits. The first three digits identify the account as an asset, a liability, a revenue source, or an expenditure function/activity. The two additional digits provide for greater detail in the identification of the specific account. The basic account identification and code structure is given below:

<u>Code Structure</u>	<u>Basic Account Identification</u>
100 00-199 99	Assets
200 00-299 99	Liabilities
300 00-599 99	Revenue Sources
600 00-999 99	Expenditure Function/Activity
	600 00-649 00      General Government Expenses
	650 00-699 00      Public Safety Expenses
	700 00-749 00      Public Works Expense
	750 00-799 00      Public Health Expenses
	800 00-849 00      Public Welfare Expenses
	850 00-879 00      Culture & Recreation Expenses
	880 00-899 00      Conservation of Natural Resource Expenses
	900 00-949 00      Debt Service Expenses
	950 00-999 00      Miscellaneous - Unclassified Expenses

### **Assets and Liabilities**

Asset and Liability accounts refer to certain ledger accounts maintained under the Accounting and Budgeting System. The balance sheet accounts are coded in two numerical series. The 100 00 series is used for those accounts which represent county assets or other balance sheet debits. The 200 00 series indicates accounts representing liabilities or other balance sheet credits. The same account title may be used by several funds. Each transaction must, therefore, be identified by the appropriate fund code. Chapter 2 contains a listing of account titles and the numerical codes for the balance sheet accounts to be used by Nebraska counties. The explanation given for each account title is intended to explain the purpose of the account as well as to provide an illustration of a transaction which would normally give rise to the need for that account.

### **Revenue Sources**

The principle means used in classification of revenues is the Fund and the source of the revenue. The Accounting and Budgeting System uses four classifications for revenue sources: (1) Taxes, (2) Licenses and Permits, (3) Intergovernmental Revenues, and (4) Fees and other Miscellaneous Revenue. The classifications also permit Fees and Miscellaneous Revenue to be further classified by county office source. The revenue source code is a five digit number series, the last two digits permitting further specialized classification of sources. Revenue sources in the Accounting and Budgeting System are to be found in the 300 00 through 500 00 series. The complete identification of the revenue source requires the Fund code to be added. Examples of revenue source coding as used in the System are as follows:

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- a) The 2005 Property Taxes levied for the General Fund  
..... 0100 305 05  
Fund code for the General Fund -----| |  
Revenue source code for 2005 Property Taxes ---- -|
- b) A license issued to a Trailer Court  
..... 0100 321 01  
Fund code for the General Fund -----| |  
Revenue source code for Trailer Court Licenses ---- -|
- c) Receipt of a filing fee from candidate for county office  
-----0100 371 06  
Fund code for the General Fund -----| |  
Revenue source code for Filing Fees----- -|

#### Expenditure Function/Activity

The functional classification used in this Manual recognizes the major responsibilities of county government: (1) general governmental operations, (2) public safety, (3) public works, (4) public health, (5) public welfare, (6) culture and recreation, (7) conservation of natural resources, (8) debt service, and (9) miscellaneous activities. The classification system is designed to bring together by functions (i.e., finance and administration, law enforcement, highway and roads), the information on county activities (i.e., county treasurer, county sheriff, bridge and road construction.) This system facilitates easy identification of expenditures by functional coding, as well as activities coding for management decisions, and enables systematic reporting of activity operating costs across county funds for information and comparison by citizens and officials.

General Government is a major functional area which includes the activities for the legislative, judicial, financial and administrative operations of the county. Also included in this category are miscellaneous activities associated with the support of those functions and other miscellaneous governmental services.

Public Safety is the functional title for those activities which have as their objective the protection of persons and property. The activities in this area include law enforcement, corrections, and emergency and protective operations of the county.

Public Works is the functional area in counties which includes those activities associated with road and bridge construction and maintenance as well as sanitation operations. Included in this group are the current operating expenditures associated with the Highway Superintendent, County Surveyor and County Engineer.

Public Health is the functional area which includes all activities involved in the conservation and improvement of public health. Included under this area are the health administration of specialized health programs.

Public Welfare is another functional area and includes all activities associated with public assistance and institutional care for individuals of the county who are economically unable to provide essential needs for themselves. Included in this area are the medical and economic assistance activities, and child and senior citizen programs.

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Culture-Recreation is the functional area of expenditures which includes the cultural and recreational facilities maintained for the benefit of the citizens of the county. Included within this function are museums, historical landmark activities, fairs and 4-H operations, libraries, parks, and community building operations.

Conservation of Natural Resources is an expenditure functional area which includes those activities of the county associated with the conservation and development of natural resources, such as water, soil, minerals, and forests, and protection activities from natural disasters such as floods.

Debt Service is the expenditure functional area for identifying interest and principal payments for general debt of the county.

Miscellaneous is a functional area which includes those activities of the county that cannot be otherwise classified. Included in this class of expenditures is the accountability for the unemployment compensation liability of the county, capital acquisitions of governmental buildings or facilities, and miscellaneous activities or disbursements having no specified function.

### **OBJECT OF EXPENDITURE CODE**

The final five digits of the code structure are used to identify in detail the expenditures of the county. Assets, Liabilities, and Revenue Sources do not have these expenditure classifications. Expenditures are classified by object and sub-object of the expenditure. The final five digits of the code are written (0 0000) one digit, a space, and four digits. The first digit identifies the expenditure in one of the seven objects of expenditure; the other four digits are used to identify the specific service or commodity purchased. The seven objects of expenditure are as follows:

<u>Code</u>	<u>Object of Expenditure</u>
1	Personal Services
2	Operating Expenses
3	Supplies and Materials
4	Equipment Rental
5	Capital Outlays
6	Debt Servicing
7	Transfers

Personal Services. Code "1" identifies expenses for salaries, wages, and all related employee benefits provided for county officials and employees. The sub-object codes enable further identification of personal services by county officials, by regular and part-time, as well as identifying the county share of various employee benefits.

Operating Expenses. Code "2" is used to identify the normal recurring expenses of maintaining the offices or program location, and of operating the program. Utility costs, insurance, equipment repair, and travel expenses are some specific examples of operating expenses found in the sub-object codes of operating expenses. Others include those expenses which are required by the various county offices in the administration of their assigned functions.

Supplies and Materials. Code "3," with the sub-object codes for this category provides for the identification of the various articles and commodities which are consumed or materially altered when used. Office supplies and operating materials constitute the principle types of expenditures in the Code "3" classification.



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Equipment Rental. Code "4" is used to identify the expenditures of the county for the rental of all types of equipment, land and buildings or other facilities.

Capital Outlays. Code "5" identifies outlays of county resources which result in the acquisition of or the addition to the fixed assets of the county. Road and Street Construction Contracts are included in the sub-object classification codes for this category of expenditure.

Debt Servicing. Code "6" was established to identify the payments of principal or interest on county indebtedness. Sinking fund payments which will eventually apply to the reduction of debt should also be coded in this category of expenditures.

Transfers. Code "7" is listed as an object of expenditure classification for interfund transfers. A non-budgeted emergency cash loan would be an example of a code "7" item.

### **SUB-OBJECT OF EXPENDITURE CODE**

The sub-object classification of expenditures is quite detailed. Counties are advised to pick from the listing those expenditure sub-object classification which are needed. The object and sub-object of expenditures are important in the preparation of the budget. Budget preparation requires the listing for each county office/activity the various anticipated expenditures. These expenditures must be classified by Object and Sub-object. Budget totals are prepared by Fund, but within each fund the objects of expenditures are identified in totals. The objects and sub-objects of expenditures are also basic in a comparison of the actual expenditures to the anticipated.

Examples of coding expenditures are given below: Note that each expenditure is identified first by fund, then by function/activity, and finally by object and sub-object of expenditure.

a) Salary payment of the Chief Deputy County Clerk ..... 0100 602 00 1 0201

Fund code for the General Fund ----- |     |     |     |  
Function/Activity code for County Clerk ----- |     |     |  
Object code for Personal Services ----- |     |  
Sub-object code for Chief Deputy's Salary ----- |

b) Payment for culvert used in road construction ..... 0300 704 00 3 0206

Fund code for County Road Fund ----- |     |     |     |  
Function/Activity code for Bridge and Road Construction ----- |     |     |  
Object code for Supplies and Materials ----- |     |  
Sub-object code for culverts ----- |

c) Payment on lease of photo copy equipment used in the

County Assessor's Office ..... 0100 605 00 4 0202

Fund code for the General Fund ----- |     |     |     |  
Function/Activity code for County Assessor ----- |     |     |  
Object code for Equipment Rental ----- |     |  
Sub-object code for Data Processing Equipment ----- |